

New Zealand Financial Behaviour Index

Wave Seven – November 2014



Introduction and summary (slide one of three)

A key aim of the Commission for Financial Capability (the Commission) is to encourage New Zealanders to take action to become financially sorted. Initiatives to do this include the provision of financial education and free, independent, and impartial information and resources to New Zealanders, as well as PR initiatives and multi-media campaigns designed to encourage New Zealanders to take positive financial action.

To this end, the Commission requires research to describe some of the key financial behaviours of New Zealanders, and to track changes in these behaviours at regular intervals. The results of this research will assist the Commission to track progress, set priorities, and develop communication strategies going forward. The findings will sit alongside findings from other research to provide a comprehensive picture of the environment within which New Zealanders make their financial decisions.

Colmar Brunton was commissioned to develop and carry out a New Zealand Financial Behaviour Index to track New Zealanders' financial behaviour at six monthly intervals. The first benchmark measure was carried out in November 2011. This report presents the results of the seventh wave of the research, carried out in November 2014.

Summary of results

Key results

1

Since the Behaviour Index began we've seen a gradual rise in positive spending behaviour, with more people spending within their means. Over the last year and a half more people have been shopping around before making significant purchases.

- Fifty five percent say they earn more than they spend. This is up from 50% in November 2011.
- Over the last year and a half the proportion of people shopping around before making a major purchase has increased (up from 71% in May 2013 to 76% this wave).

2

The requirement to know the replacement cost of a home may be encouraging more people to research and review their insurance cover annually.

- Over the last two years the number of New Zealanders annually reviewing their insurance cover has grown (up to 59%, from 53% in November 2012).

THINK: PLANNING FOR THE EXPECTED AND UNEXPECTED

- Planning behaviour has remained fairly stable over the last two waves. The proportion of people with a short- (53%) or mid-term (42%) plan in place remains higher than at the November 2011 benchmark (47% and 37% respectively).
- Since the research began three years ago, more people say they're earning more than they spend (up from 50% to 55% this wave). Compared to this time last year fewer people say they spend more than they earn (down to 18%, from 22%). Around a quarter (24%) say they spend as much as they earn.
- In the last 18 months the number of people shopping around before making major purchases has increased (up to 76%, from 71% in May 2013).
- Over the last two years we've seen a gradual rise in people annually reviewing their insurance cover (up to 59%, from 53% in November 2012).
- Access to emergency funds has been fairly consistent over the course of the research, with just over two thirds (70%) saying they could access three months worth of their income in an emergency.

SHRINK: REDUCING DEBT

- Compared to when the research began in 2011, fewer people say they're using retail purchase agreements (down to 21% from 27%).
- The majority of people (88%) who've paid off retail purchase agreements in the last 12 months say they did so before the end of the interest free period.
- Over the last three months, two thirds (62%) of those with a credit card paid off their bill in full each month, 42% of those with a mortgage paid back more than the amount required by the lender, and 38% with a personal loan paid back more than the amount required by the lender. These behaviours have remained fairly stable over the course the research.
- Almost three quarters (72%) of those with debt, and who have had more money than expected in the past three months, used that unexpected money to pay back some debt. This has also remained fairly stable.
- Fifty seven percent of those with more than one debt, and who have had more money than expected in the past three months, used that money to pay off some of their highest interest debt.

GROW: SAVING REGULARLY FOR THE SHORT-TERM AND LONG-TERM

- Two thirds (62%) of people are investing money somewhere other than KiwiSaver. This has remained fairly stable over the course of the research.
- The overall proportion of people putting money into savings is consistent with this time last year, with seven in ten New Zealanders (73%) having put money into savings in the last three months. Compared to May this year, more people have put money into short-term savings (up to 58% from 53%). Around a third of people are saving for the mid-term (35%), and just over a quarter are saving for the long-term (27%).
- Fifty one percent of people say they have contributed to KiwiSaver in the last three months, an increase from the 43% at the November 2011 benchmark.



Methodology

A total of 1,008 New Zealanders aged 18 years or over were interviewed online from 2 to 23 November 2014.

Respondents were randomly selected from Colmar Brunton's online panel and invited to take part in the survey.

The survey is intended to provide an overall picture representative of the New Zealand public. Quotas were applied at the sampling and selection stage, and the final results were weighted to be representative of New Zealand by age, gender, ethnicity, and location. Not all households have internet access in New Zealand (77% of households had internet access as at the 2013 Census*), and online panels do not include every New Zealand household, so the survey cannot be said to be truly representative of all groups. Having said this, we are confident that the results provide a reasonably good picture of the population and will allow us to see trends and changes over time. Weighted and unweighted respondent profiles can be found in Appendix A.

The maximum sampling error for a simple random sample of 1,000 is +/- 3.1 percentage points at the 95% confidence interval.



1,008
online
interviews



2 - 23
November
2014



Average 10
minutes per
survey



Weighted by age,
gender, location
and ethnicity

*See Statistics New Zealand: <http://www.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-national-highlights/phones-internet-access.aspx>.

money plan
protect

goal setting

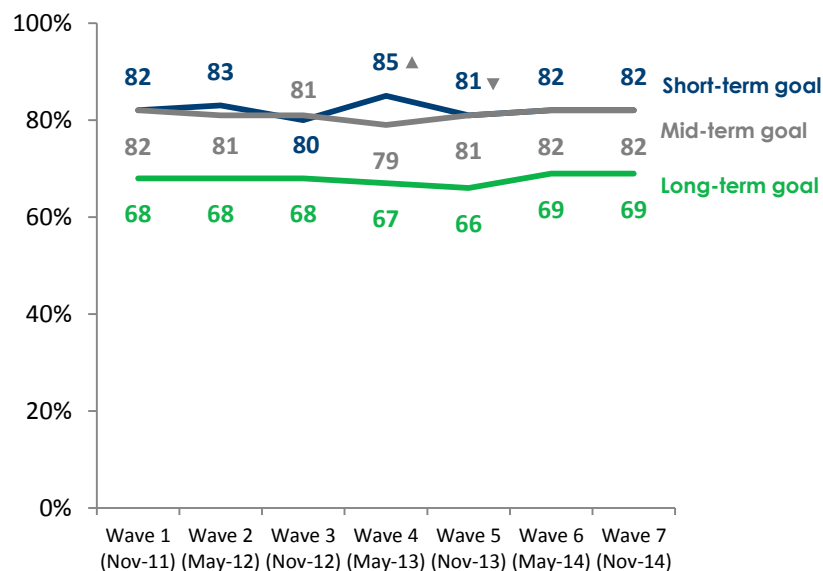
think

Goal setting and planning

Planning behaviour has remained fairly stable over the last two waves. The proportion with a short- or mid-term plan in place remains higher than at the November 2011 benchmark.

Having a plan in place includes having a goal, working out how much money you need to achieve it, and taking action to build up the money needed to achieve it.

HAS FINANCIAL GOALS

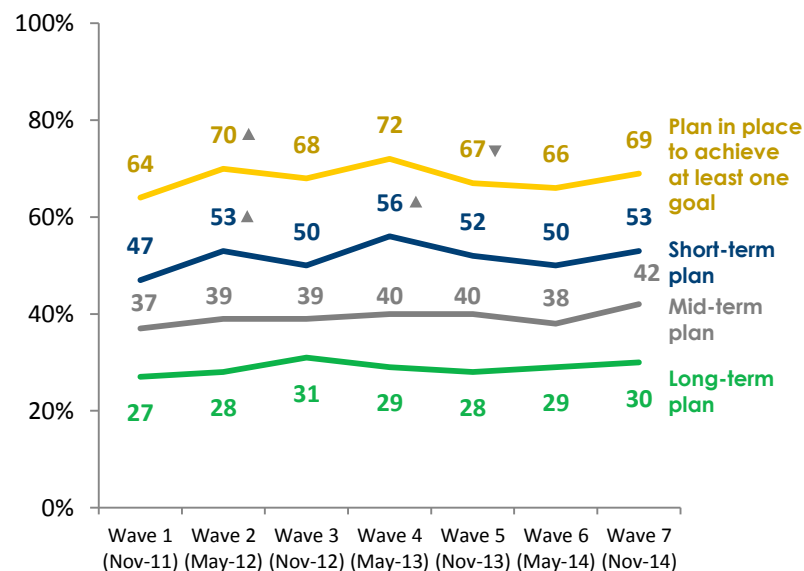


Source: Q1a

Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

▲ Statistically significant change since previous wave

HAS PUT A PLAN IN PLACE



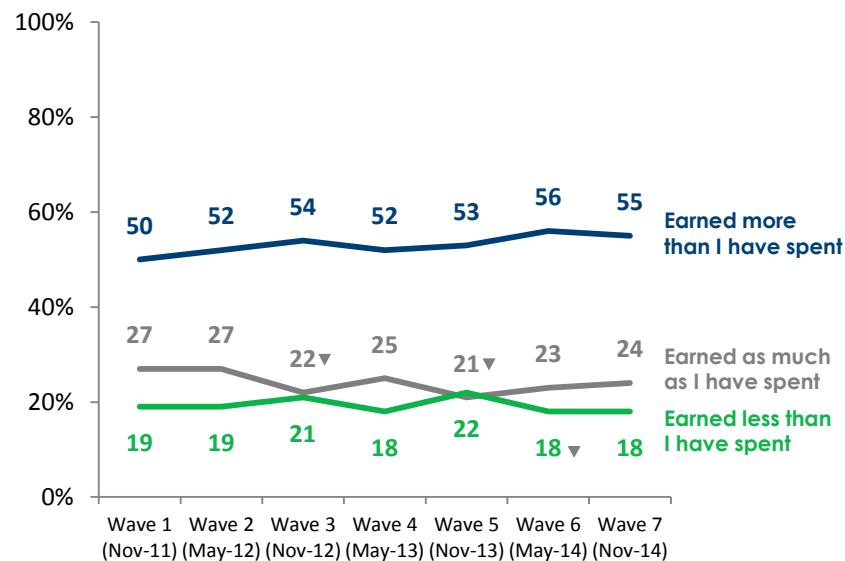
Source: Q1a, Q1b, Q1c, Q1d, Q1e, Q1f, Q1g and Q1h

Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

▲ Statistically significant change since previous wave

Spending versus earning

The proportion of people **earning more than they spend** has been trending upward since the research began three years ago.



Source: Q5j

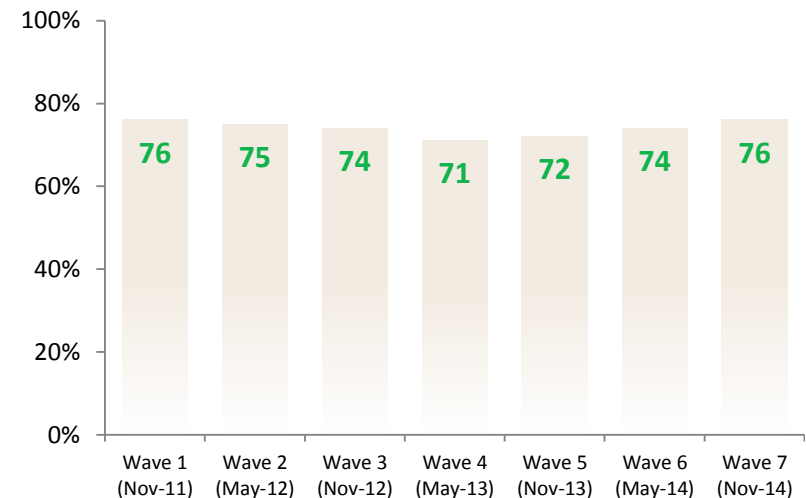
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

Note: Those who said don't know are not shown

▼ Statistically significant change since previous wave

Shopping around

Three quarters (76%) of those making significant purchases '**shopped around**'. This behaviour has been steadily increasing since May 2013.



The proportion of those who shopped around varies by the type of purchase made, for example:

88% of those who purchased a *product* shopped around

64% of those who purchased a *trade service* shopped around

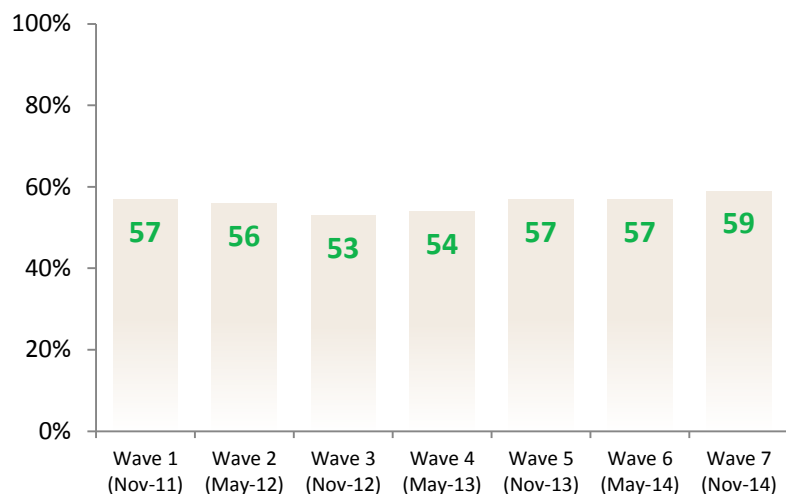
49% of those who purchased a *health service* shopped around.

Source: Q2a, Q2b and Q2c

Base: Those who have made a significant purchase in the last three months (n W1=607, W2=543, W3=580, W4=586, W5=549, W6=544, W7=553)

Annually reviewing insurance cover

The proportion of people annually reviewing their insurance cover has been increasing over the last 2 years.



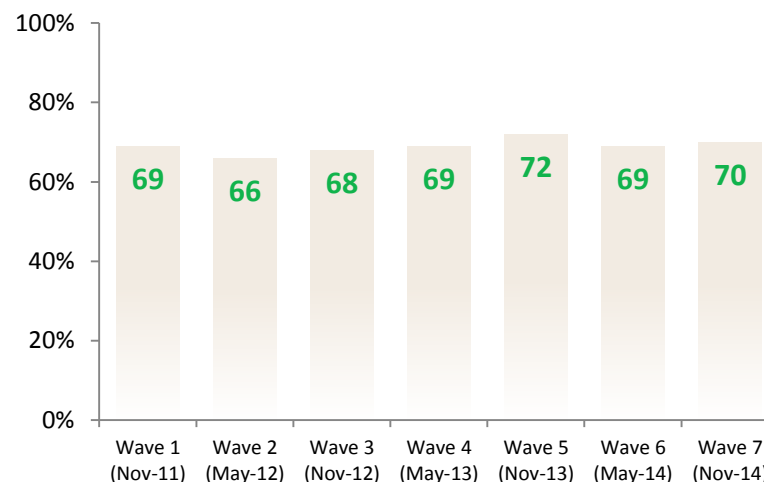
Those with no insurance (10%) are included here. They were asked whether they have reviewed this in the past 12 months to check that having no insurance is right for their situation.

Source: Q3a and Q3j

Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

Access to an emergency fund

Access to an emergency fund has been fairly steady since the 2011 benchmark.



41% could access *all* of the money through their own savings and investments. Others (29%) would need to access *at least some* of the money in other ways:

14% would sell something

14% would access credit

9% would use some form of income replacement insurance

10% would get a loan from friends or family

3% would receive a gift from friends or family

6% would access the money in some other way.

Source: Q3f, Q3f(i) and Q3g

Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

manage
reduce

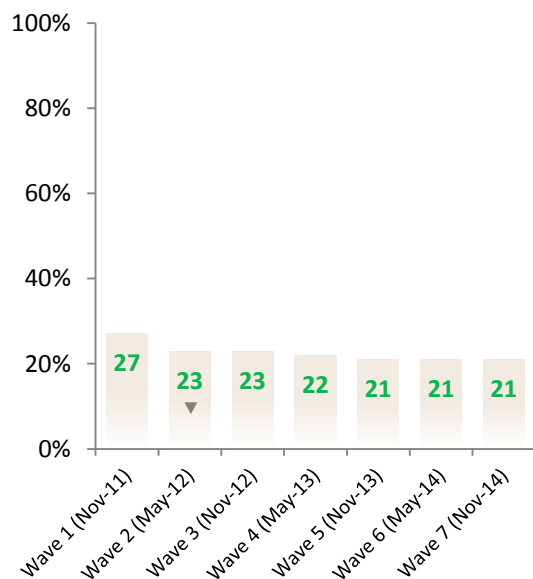
debt

shrink

Retail purchase agreements

The proportion of people using a retail purchase agreement has been steady over the last year, and remains lower than the 2011 benchmark.

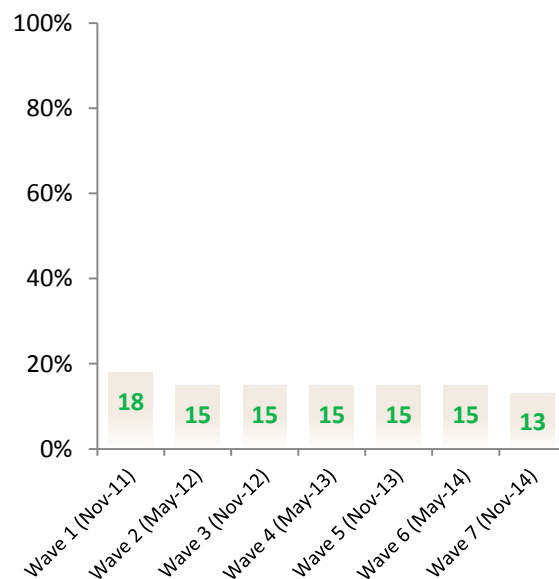
HAD A RETAIL PURCHASE AGREEMENT IN THE LAST YEAR



Source: Q4a
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

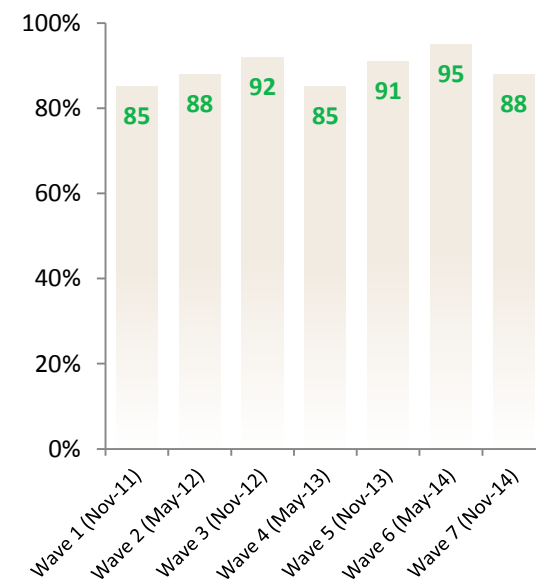
⚡ Statistically significant change since previous wave

PAID OFF A RETAIL PURCHASE AGREEMENT IN THE LAST YEAR



Source: Q4b
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

PAID OFF ALL AGREEMENTS BEFORE END OF INTEREST FREE PERIOD

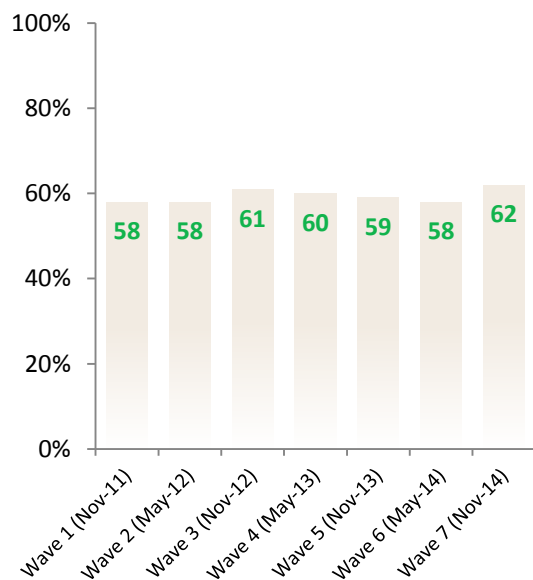


Source: Q4a to Q4f
Base: Those who have paid off agreements with an interest free period (n W1=148, W2=134, W3=117, W4=134, W5=117, W6=116, W7=107)

Shrinking debt

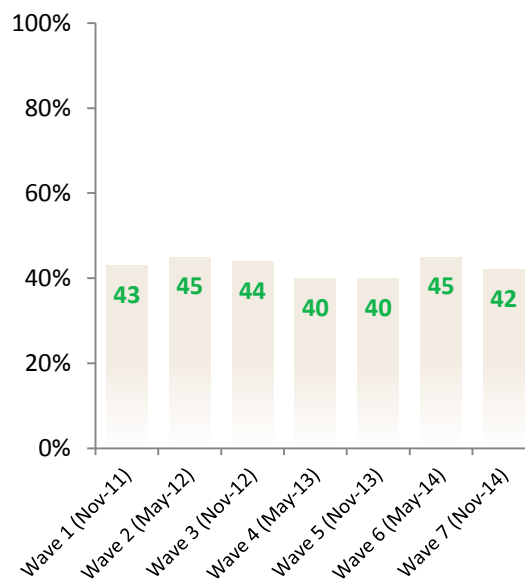
We asked some specific questions to find out how people have paid off credit cards, mortgages, and personal loans over the ***last three months***. Overall there has been little change since the benchmark.

PAID OFF THEIR CREDIT CARD BILL(S) IN FULL EACH MONTH



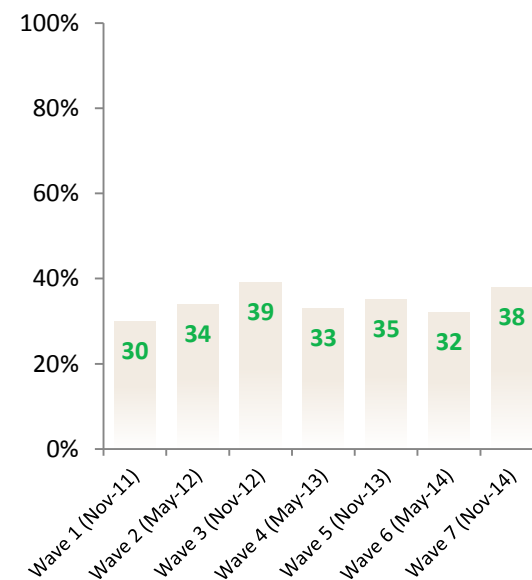
Source: Q3i
Base: Those with one or more credit cards (n W1=815, W2=817, W3=837, W4=859, W5=835, W6=858, W7=824)

PAID MORE OF THEIR MORTGAGE(S) THAN REQUIRED BY THE LENDER



Source: Q3n
Base: Those with a mortgage (n W1=450, W2=429, W3=438, W4=446, W5=433, W6=447, W7=433)

PAID MORE OF THEIR PERSONAL LOAN(S) THAN REQUIRED BY THE LENDER

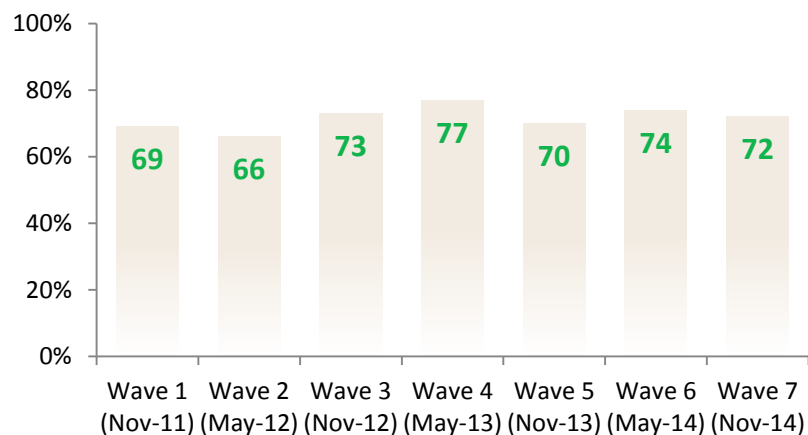


Source: Q3l
Base: Those with a personal loan (n W1=204, W2=195, W3=188, W4=202, W5=168, W6=171, W7=164)

Using unexpected money

37% of those with at least one debt (excluding a student loan) have had more money than expected at some point in the last three months.

ALMOST THREE QUARTERS USED THAT MONEY TO PAY BACK SOME OF THEIR DEBT



The remaining 28% did not use the money to pay back debt.

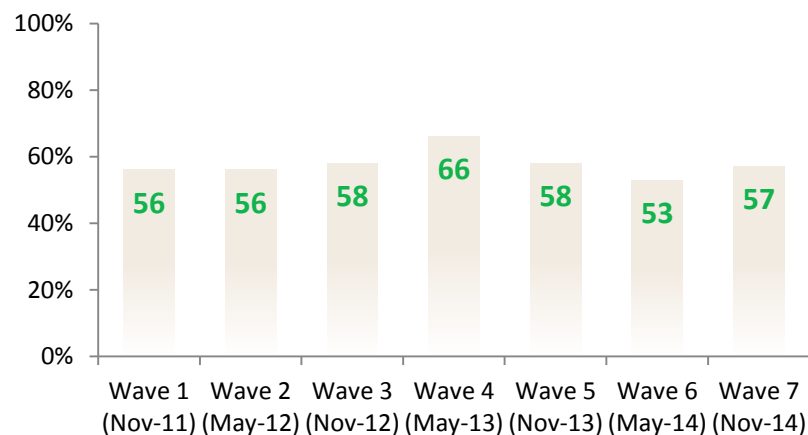
The reasons for not paying off debt were:

- There was something else to use the money for (62%)
- Just hadn't thought of it (12%)
- There were financial penalties for paying the debt off early (7%)
- The lender would be unhappy about it (4%)
- Other reasons (24%)

Source: Q5e

Base: Those who have debt and who have had more money than expected at some point in the last three months (n W1=264, W2=262, W3=244, W4=257, W5=213, W6=216, W7=206)

JUST OVER HALF OF THOSE WITH MORE THAN ONE DEBT, PUT THE MONEY TOWARD THEIR HIGHEST INTEREST DEBT.



Those who did not pay back their higher interest debt either

- did not use the money to pay back any debt (22%),
- chose not to pay the highest interest debt (17%), or
- could not recall whether the debt they paid back was the one with the highest interest rate (4%).

Source: Q5g

Base: Those with more than one debt and who have had more money than expected at some point in the last three months (n W1=199, W2=197, W3=198, W4=191, W5=150, W6=153, W7=148)

grow

saving
future

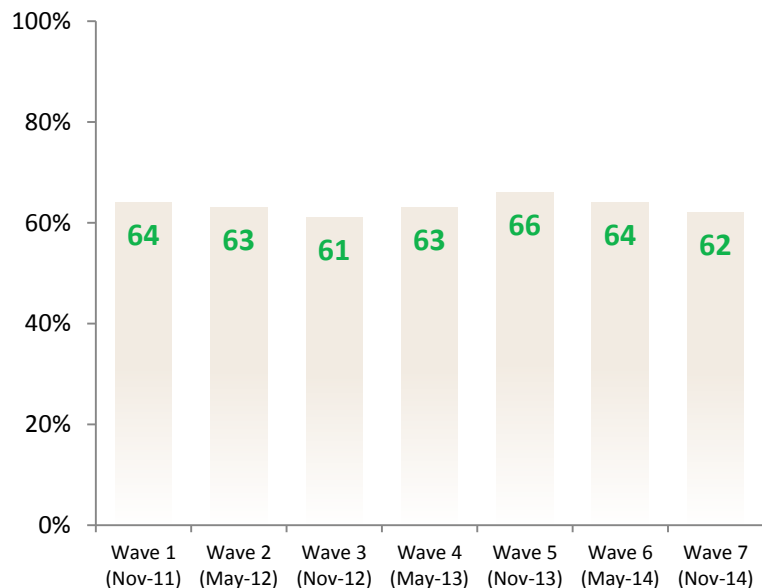
investment



Overall saving and investing

Compared to May this year, more people have put money into short-term savings.

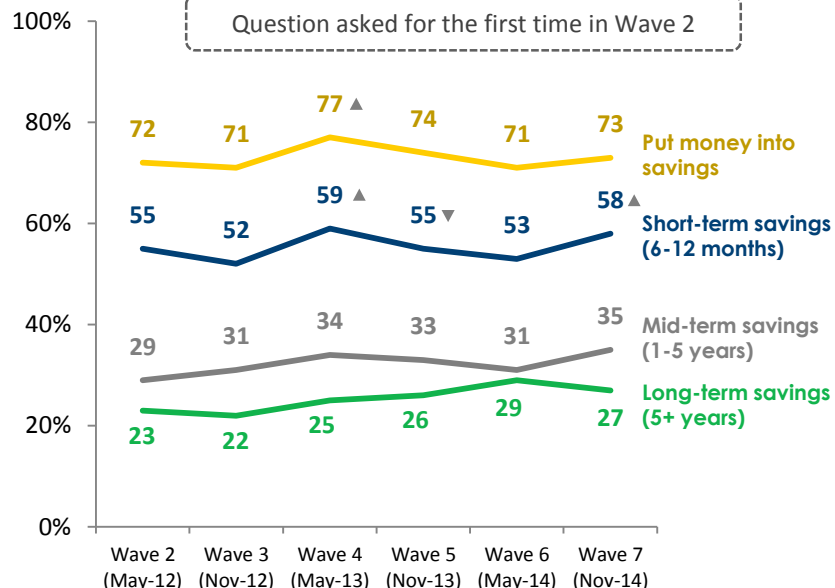
CURRENTLY INVESTING MONEY SOMEWHERE OTHER THAN IN KIWISAVER



Source: Q3b, Q3d, and Q3e

Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

HAVE PUT SOME MONEY INTO SHORT- MID- OR LONG-TERM SAVINGS OVER THE LAST THREE MONTHS



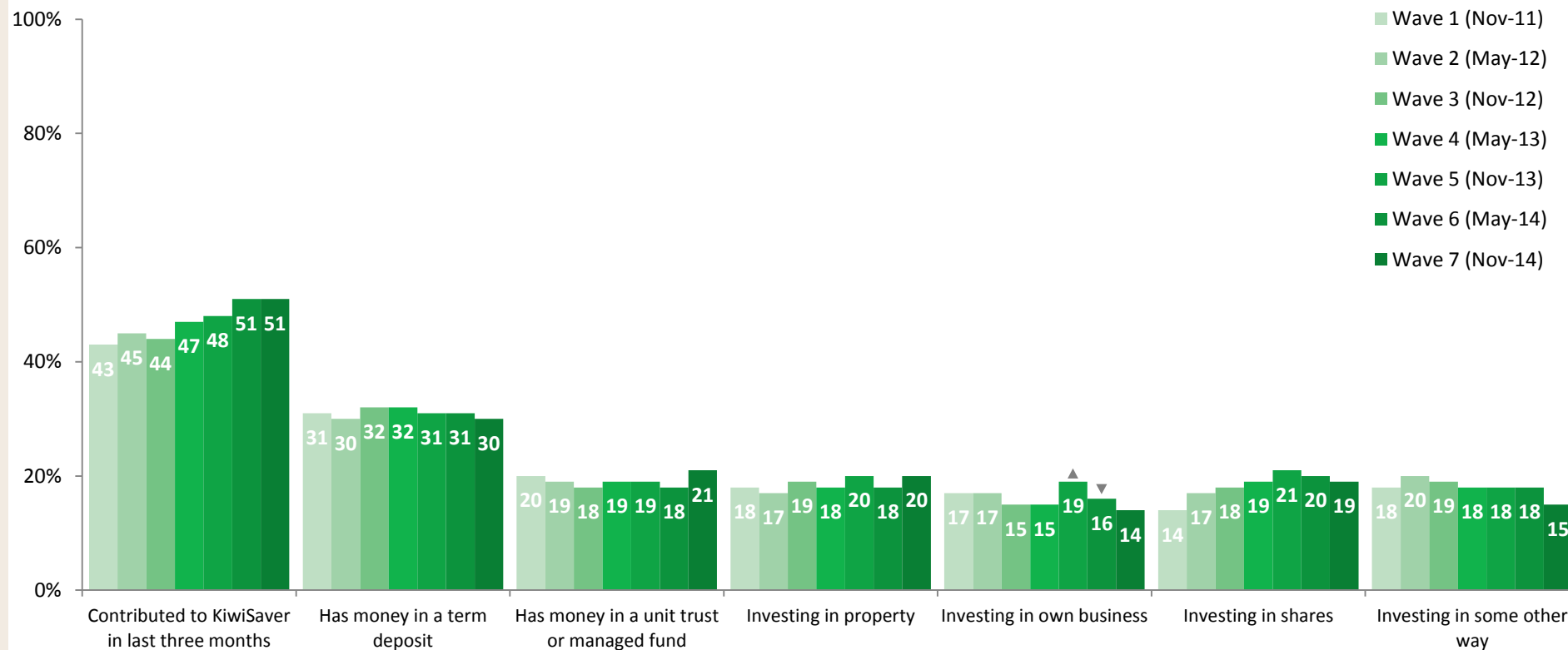
Source: Q1h

Base: All respondents (n W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

▲ Statistically significant change since previous wave

Types of investments

Investment behaviour has remained fairly stable over the last year.



Source: Q3c, Q3d, and Q3e

Base: All respondents (n W1=1,001, W2=1,004, W3=1,001, W4=1,001, W5=1,001, W6=1,005, W7=1,008)

▲ Statistically significant change since previous wave

Appendix: Demographic profiles



Appendix: Demographic profile

| | WEIGHTED SAMPLE (n=1,008) | UNWEIGHTED SAMPLE (n=1,008) |
|-------------------------|---------------------------|-----------------------------|
| Gender | | |
| Male | 48% | 44% |
| Female | 52% | 56% |
| Age group | | |
| Aged 18 to 34 years | 30% | 22% |
| Aged 35 to 49 years | 29% | 29% |
| Aged 50 to 64 years | 24% | 23% |
| Aged 65 years or over | 17% | 26% |
| Ethnicity | | |
| New Zealand European | 72% | 69% |
| Māori | 13% | 10% |
| Pacific | 6% | 3% |
| Asian | 9% | 15% |
| Other | 9% | 10% |
| Household income | | |
| Up to \$30,000 | 13% | 14% |
| \$30,001 to \$50,000 | 11% | 14% |
| \$50,001 to \$70,000 | 15% | 15% |
| \$70,001 to \$100,000 | 22% | 20% |
| More than \$100,001 | 25% | 23% |